



Thomas A. Schatz

*President*

May 10, 2010

U.S. Senate  
Washington, D.C. 20510

Dear Senator,

Senators John McCain (R-Ariz.), Richard Shelby (R-Ala.) and Judd Gregg (R-N.H.) will be proposing amendment #3839, the GSE Bailout Elimination and Taxpayer Protection Amendment, to S. 3217, the Restoring American Financial Stability Act of 2010. On behalf of the more than one million members and supporters of the Council for Citizens Against Government Waste (CCAGW), I urge you to support this amendment.

The McCain-Shelby-Gregg amendment would establish an orderly transition period to end the conservatorship of Fannie Mae and Freddie Mac, both of which are government sponsored enterprises (GSE), and eventually require each to operate without government subsidies and compete with the private sector on a level playing field.

While lawmakers have been focused on Wall Street reform, little has been done to address the failed mortgage giants that played such pivotal roles in the nation's economic collapse. Amendment #3839 would end conservatorship of Fannie and Freddie two years from the date of enactment while giving the Federal Housing Finance Agency (FHFA) the option to extend conservatorship for six months if the FHFA director determines and notifies Congress that adverse market conditions exist. If at the end of conservatorship a GSE is financially viable, it will be allowed to re-enter the market under new operating restrictions. If it is deemed not financially viable, FHFA must place the GSE into receivership.

The amendment would also establish new operating restrictions post-conservatorship including the repeal of the affordable housing goal mandate, new limits for held mortgage assets, stronger capital standards, repeal of the exemption allowing GSEs to avoid paying state and local taxes, and repeal of the exemption allowing GSE securities to avoid full Securities and Exchange Commission registration.

The amendment would create a Senate-confirmed Special Inspector General position within the Government Accountability Office responsible for investigating and reporting to Congress on decisions made with respect to the conservatorship of Fannie and Freddie. Both GSEs would also be included as part of the federal budget as long as either is under conservatorship or receivership. Additionally, the amendment will reestablish the federal funding limit of \$200 billion per institution for the two GSEs, force them to reduce their portfolio holdings by 10 percent of the prior year's holdings, and require FHFA to establish minimum underwriting standards for mortgage loans eligible for GSE purchase.

I strongly urge you to support the McCain-Shelby-Gregg amendment. The fate of Fannie Mae and Freddie Mac can no longer be ignored. If Congress acts now, taxpayers could be spared the burden of impending future financial disasters. All votes on the amendment #3839 will be among those considered in CCAGW's 2010 *Congressional Ratings*.

Sincerely,

1301 Pennsylvania Avenue, N.W.  
Suite 1075  
Washington, D.C. 20004  
202-467-5300